
CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

915 CAPITOL MALL, ROOM 311

SACRAMENTO, CA 95814

TELEPHONE: (916) 653-3255

FAX: (916) 653-6827

www.treasurer.ca.gov/cdlac

Joanie Jones Kelly
Executive Director

MEMBERS

Bill Lockyer, Chairman
State Treasurer

Arnold Schwarzenegger
Governor

John Chiang
State Controller

The Housing Assistance Tax Act of 2008 HR 3221 Fact Sheet

On July 30, 2008 HR 3221, the Housing Assistance Tax Act of 2008, was enacted with the goal of stimulating the housing market.

HR 3221 provides mortgage refinancing assistance to help keep families from losing their homes to foreclosure, protect home values, and to stabilize the housing market by amending the federal tax code. The Act allows tax-exempt bond issuers to use additional bond allocation provided by HR 3221 to refinance sub-prime mortgages and revitalize communities by providing reduced interest rate mortgages to first-time home buyers.

California Debt Limit Allocation Committee (CDLAC)

The 1986 Federal Tax Reform Act imposed a state limit on private activity bonds issued by each state. The California Debt Limit Allocation Committee (CDLAC) was created in California to administer the private activity bond cap. The cap is calculated based on the state's population (est. 2008, 36 million). The cap for 2008 for California is \$3.107 billion. The major policy commitment in California is affordable housing with approximately 80% of the annual cap designated for housing.

CDLAC is responsible for the implementation of HR 3221 in California. HR 3221 has provided a temporary cap increase to finance loans for single family and multi-family residences. Nationally, the Act provides for \$11 billion in additional 2008 volume cap for the purpose of issuing tax-exempt bonds amongst three eligible categories of housing programs; refinancing sub-prime loans; providing below-market rate loans to first time homebuyers; and construction of low-income rental housing. California's share of the \$11 billion cap is \$1.144 billion. CDLAC must allocate the HR 3221 cap by December 31, 2008 or it will be lost.

HR 3221- The Bonus Allocation

The federal tax code has never before allowed tax-exempt bonds to be used for refinancings. HR 3221 temporarily lifts that restriction by allowing bond proceeds to be used to refinance a mortgage or residence that was originally financed by the mortgagor

through a “qualified sub-prime loan.” The refinancing of sub-prime loans can be done with the HR 3221 cap as well as 2009 and 2010 cap as long as bonds are issued prior to December 31, 2010.

A Qualified sub-prime loan is defined as an “adjustable-rate single family residential mortgage loan made after December 31, 2001, and before January 1, 2008, that the bond issuer determines would reasonably likely cause financial hardship to the borrower if not refinanced.” On September 17, 2008 the federal government provided legislative clarification and a definition for financial hardship. For this purpose, issuers may determine likely financial hardship to borrowers based on reasonable estimates made in good faith. The Act also provides that in the case of qualified sub-prime loans, the purchase price requirement will be applied based on the “market value” of the residence at the time of refinancing, in lieu of the purchase price.

Included in the September 17th federal clarification was the addition of Mortgage Credit Certificates eligibility for 2008 Tax Act Allocation. For calendar years 2008 through 2010 an issuer may elect to exchange their housing Volume Cap for Mortgage Credit Certificate authority (MCC). The MCC authority requires that the indebtedness to which the mortgage credit certificate relates is incurred within 12 months of the date of election. The issuer may elect to issue mortgage credit certificates to refinance qualified sub-prime loans if it otherwise satisfies the requirements as outlined in the 2008 Federal Housing Act. Any such qualified sub-prime loan refinancing must be incurred within 12 months after such election. The issuer must make an election by December 31, 2010.

Sub-prime loan refinancing may use both new bonus volume cap and the regular 2009 and 2010 volume cap. For qualified sub-prime loan refinancing from regular 2009 and 2010 volume cap an issuer may make the proceeds available for refinancing during the 12-month origination period and then either redeem bonds from unused proceeds or make such proceeds available for regular qualified mortgage loans for the balance of the 42-month origination period. Qualified mortgage bonds from the new bonus volume cap must apply all unused proceeds to the redemption of bonds after the 12-month origination period.

In addition to the sub-prime loan refinancing, the bonus cap is to be used as a tool to revitalize communities by providing reduced interest rate mortgages to first time homebuyers through programs such as REO/Foreclosure home purchase programs.

The Goal of HR 3221 Bonus Allocation

The major goal of HR 3221 is to mitigate the impact of sub-prime loans on the housing market. By providing families with a vehicle to refinance sub-prime loans and keep their homes, and giving first-time homebuyers incentives to purchase homes with attractive rates and financing options.

CDLAC HR 3221 Implementation Plan

The California Debt Limit Allocation Committee (CDLAC) will have to allocate the entire \$1,144 billion allocation prior to December 31, 2008.

July 2008: Developed a plan to implement the additional allocation granted by H.R. 3221.

September 3, 2008: Held CDLAC Authority meeting to request board approval of the allocation implementation plan.

September 22, 2008: Posted HR 3221 application guidelines and issuer deadlines for application submittal on CDLAC website.

October 3, 2008: Applications to CDLAC for HR 3221 allocation due.

December 3, 2008: CDLAC Authority to approve HR 3221 allocation disbursement.

CDLAC Contact for Implementation of HR 3221 Bonus Volume Cap:

California Debt Limit Allocation Committee (CDLAC)
915 Capitol Mall, Room 308
Sacramento, California 95814

Joanie Jones Kelly, Executive Director
(916) 653 – 3255

CDLAC Website address: <http://www.treasurer.ca.gov/cdlac>